

## Message Text

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PAGE 01 CAIRO 05240 01 OF 02 162105Z  
ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 AGRE-00 EB-08 IGA-02 CIAE-00  
INR-10 NSAE-00 DODE-00 /062 W  
-----051998 162123Z /70  
P 162049Z FEB 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC PRIORITY 5640  
INFO AMCONSUL ALEXANDRIA

LIMITED OFFICIAL USE SECTION 01 OF 02 CAIRO 05240

DEPT PASS AID, ALSO PASS USDA/OGSM  
AMCONSUL PORT SAID SENDS

E.O. 11652: N/A  
TAGS: EAGR EAID EG  
SUBJECT: MARINE SHIPPING CORP., PORT SAID

REF:A.STATE 37801, B. CAIRO 5032, C. ALEXANDRIA 150

1. SUMMARY: DUE TO PRESENCE OF MARINE SHIPPING CORP. (MSC) FACILITY, PORT SAID HAS NOT SUFFERED SIGNIFICANT DELAYS IN DOCKING GRAIN SHIPS DURING PAST SEVEN MONTHS. AMOUNT OF GRAIN OFFLOADED IN PORT SAID INCREASED 133 PERCENT IN SECOND HALF 1977, RESULTING IN LESSENERED PRESSURE ON ALEXANDRIA. GOE SAVED MILLIONS OF DOLLARS IN AVOIDANCE OF DEMURRAGE AND IN FREIGHT DIFFERENTIAL ON FOUR LARGE SHIPS CHARTERED FOR MSC DURING 1977. FOR 3 OUT OF 6 MONTHS NO LARGE SHIPS WERE CHARTERED FOR MSC, WHICH TO FILL GAP CAME TO ARRANGEMENT TO OFFLOAD FIVE STANDARD-SIZE SHIPS DIVERTED FROM ALEXANDRIA. GREATEST OBSTACLE TO REALIZATION OF FULL POTENTIAL OF MSC CONTINUES TO BE INADEQUACY OF TRUCKS. END SUMMARY.

2. FOLLOWING IS ANALYSIS OF GRAIN OFFLOADING SITUATION  
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PAGE 02 CAIRO 05240 01 OF 02 162105Z

IN PORT SAID. BULK OF INFORMATION PROVIDED BY MSC  
PRESIDENT LOUIS BRUER.

3. MSC IS AMERICAN COMPANY UNDER CONTRACT WITH MINISTRY OF TRADE AND SUPPLY TO OFFLOAD 600,000 METRIC TONS/YEAR OF GRAIN FROM GEARLESS CARRIERS AND TANKERS AT PORT SAID. FACILITY USES 30,000-TON TANKER, OBSERVER, AS

FLOATING DOCK AND RESERVE STORAGE AREA; WIDTH OF OBSERVER INCREASES PERMISSIBLE DEPTH OF GRAIN SHIP FROM 27 TO 39 FEET. MSC HAS INSTALLED TWELVE EVACUATORS AND CONVEYOR SYSTEM ON OBSERVER. CONVEYOR EXTENDS TO DISCHARGING AREA ON SHORE WHERE WAREHOUSE HAS BEEN BUILT WITH CAPACITY 12,000 MT; ANOTHER 18,000 MT CAN BE DISCHARGED BEYOND WAREHOUSE.

4. BRUER OVERCAME BUREAUCRATIC RESISTANCE TO HIS PROPOSAL THROUGH TWO YEARS OF INSISTANT NEGOTIATING. BRUER SELECTED PORT SAID OVER ALEXANDRIA DUE TO LIMITS ON DEPTH (32-34 FEET IN ALEXANDRIA VS. 39 FEET AT MSC FACILITY) AND LENGTH (620 FEET ALEXANDRIA VS. 984 FEET PORT SAID). CONTRACT SIGNED AT END OF 1976; WITH COMMENCEMENT OF CONSTRUCTION OF PROJECT BRUER FACED PROTRACTED STRUGGLE WITH LOCAL OFFICIALS IN PORT SAID. GOE DELAYED CHARTERING SHIPS UNTIL MAY 1976.

5. THREE LARGE SHIPS CHARTERED FOR MSC, CARRYING AMERICAN WHEAT (44,977 MT; 51,647 MT; AND 56,050 MT RESPECTIVELY), WERE OFFLOADED AT MSC FACILITY IN THE PERIOD JULY 2 TO SEPT 14, 1977. THE FREIGHT RATE ON FIRST TWO VESSELS WAS \$11.50/TON AND ON THIRD \$11.25/TON, COMPARED WITH \$17.00/TON ON STANDARD-SIZE VESSELS BOUND FOR ALEXANDRIA.  
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PAGE 03 CAIRO 05240 01 OF 02 162105Z

6. FROM FIRST DAY OF OFFLOADING, MSC FACED PROBLEM OF INADEQUATE TRUCKS TO CARRY AWAY WHEAT. BUILD-UP OF MOUNTAIN OF WHEAT ONSHORE STIRRED ADVERSE PUBLICITY. IN EARLY SEPT MSC WAS FORCED TO PUT 11,000 MT IN HOLD OF OBSERVER. NO FURTHER LARGE SHIPS WERE CHARTERED, UNTIL STRATHEARN(CARRYING 47,269 MT WHEAT) ARRIVED DECEMBER 17.

7. IN INTERIM GOVERNOR PORT SAID PREVAILED UPON BRUER AND STEVEDORING COMPANY TO COME TO AGREEMENT FOR MSC TO DISCHARGE STANDARD SHIPS WHICH WOULD NORMALLY BE DISCHARGED IN SHERIF BASIN THROUGH TRADITIONAL MEANS. GOVERNOR DID TURN-ABOUT AND ASKED BRUER TO OFFLOAD WITHOUT REGARD TO AVAILABLE TRUCKS OR SIZE OF MOUNTAIN OF WHEAT ON SHORE. FIVE SHIPS (EACH CARRYING 20,000 TO 27,000 MT WHEAT) WERE DIVERTED FROM ALEXANDRIA TO PORT SAID AND OFFLOADED AT MSC. FOR TWO MONTHS NO GRAIN WAS OFFLOADED AT ANY OF THREE BERTHS AT SHERIF BASIN, WHERE IN PAST YEARS TWO BERTHS HAD USUALLY BEEN DEVOTED TO GRAIN DISCHARGE (AT RATE OF 800 MT/DAY). SHERIF BASIN WAS USED FOR INCREASED

EXPORT OF ORANGES/ONIONS/TALC. WITHOUT MSC,  
OFFLOADING OF THE FIVE SHIPS WOULD STILL NOT BE  
COMPLETED TODAY.

8. DURING PRESENT PERIOD (JAN-FEB) MSC IS AGAIN  
OFFLOADING STANDARD SHIPS, BUT MARTRANS HAS CHARTERED  
TWO LARGE SHIPS FROM US FOR PERIOD MARCH-APRIL.  
FREIGHT RATE FOR THESE TWO IS DOWN TO \$11.00/TON.

9. STATISTICS FOR 1977 SHOW MSC MORE THAN DOUBLED  
AMOUNT OF GRAIN DISCHARGED IN PORT SAID IN SECOND HALF  
OF YEAR. FROM JAN-JUNE 236,871 MT WAS DISCHARGED  
AT SHERIF BASIN. FROM JULY-DEC 237,566 MT WAS DISCHARGED  
AT SHERIF BASIN AND 318,539 MT AT MSC. THE NEARLY  
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PAGE 04 CAIRO 05240 01 OF 02 162105Z

800,000 MT DISCHARGED IN PORT SAID IN 1977 COMPARES WITH  
450,000 DISCHARGED IN 1976. IN THE LAST SIX MONTHS  
OF 1977, MSC SAVED GOE \$2,587,100 ON FREIGHT CHARGES

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PAGE 01 CAIRO 05240 02 OF 02 162109Z  
ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 AGRE-00 EB-08 IGA-02 CIAE-00  
INR-10 NSAE-00 DODE-00 /062 W  
-----052134 162124Z /70

P 162049Z FEB 78  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC PRIORITY 5641  
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LIMITED OFFICIAL USE SECTION 02 OF 02 CAIRO 05240

THROUGH USE OF THE FOUR LARGE SHIPS CHARTERED FOR MSC,  
IN COMPARISON TO FREIGHT CHARGES THAT WOULD HAVE BEEN  
LEVIED FOR SMALLER SHIPS GOING TO ALEXANDRIA. MSC  
GAINED \$205,554 IN DISPATCH, COMPARED WITH AVERAGE  
\$7/TON DEMURRAGE PAID BY GOE ON SHIPS AT ALEXANDRIA.  
10. ON JAN 28 BRUER CALLED ON PRIME MINISTER MAMDOUH

SAALIM AND PUT FORWARD PROPOSAL THAT MSC CONTRACT BE INCREASED TO 100,000 MT/MONTH VS. PRESENT 50,000 MT/MONTH, MAKING USE OF SINGLE LARGE VESSEL TO CARRY 100,000 MT. (NOTE: MSC HAS IN FACT DISCHARGED AS MUCH AS 4,250 MT ON A SINGLE DAY AND WOULD THUS APPEAR CAPABLE OF HANDLING 1.2 MILLION MT/YEAR.) BRUER POINTED OUT TO PM THAT HIS PLAN WOULD (1) HAVE TREMENDOUS IMPACT IN DECONGESTING ALEXANDRIA, (2) FREE SHERIF BASIN OF GRAIN DISCHARGE AND INCREASE TOTAL CARGO DISCHARGE IN PORT SAID BY MORE THAN 2 MILLION TONS/YEAR, (3) PROVIDE FREIGHT SAVINGS OF UPWARDS OF \$10 MILLION PLUS AVOIDANCE OF DEMURRAGE.

11. BRUER'S PLAN RESTS ON THE ASSUMPTION THAT GOE CAN PROVIDE AND ORGANIZE TRANSPORT CAPABLE OF CARRYING AWAY 1.2 MILLION TONS/YEAR. UP TO THE PRESENT, IT IS A FALSE ASSUMPTION. EVEN THOUGH VOCIFEROUS OBJECTION TO PILE UP OF GRAIN ON SHORE SEEMS TO HAVE DIED AWAY, LIMITED OFFICIAL USE

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PAGE 02 CAIRO 05240 02 OF 02 162109Z

PILE UP IS ONLY STOP-GAP MEASURE. IN EVERY INSTANCE BUT ONE OF TWELVE SHIPS MSC HAS OFFLOADED, RATE OF TRANSPORT ON SHORE HAS DRAGGED BEHIND RATE OF DISCHARGE ON OBSERVER, SOMETIMES BY MORE THAN TWO WEEKS.

12. CONCLUSION: ANTAGONISM TOWARD MSC WITHIN MINISTRIES AND IN PORT SAID HAS SUBSIDED. PRIME MINISTER IS REPORTEDLY ENTHUSIASTIC ABOUT PROJECT. LARGE SHIPS (50,000 MT RANGE) ARE NOW IN PIPELINE. HOWEVER, EGYPT WILL NOT BE ABLE FULLY TO UTILIZE MSC UNTIL PROBLEM OF LAND TRANSPORT IS RESOLVED.

13. THIS TELEGRAM AS WELL AS REFS B AND C CONSTITUTE PRELIMINARY RESPONSES TO REF A. FULL REPORT AND RECOMMENDATIONS WILL FOLLOW POPE'S SURVEY OF PORT SITUATION. EILTS

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